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LANSING

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ENROLLED BILL ANALYSIS

BILL NUMBER: SB1094 (H-1)

TOPIC: Work Share, AKA Short Time Compensation; Amends the Michigan Employment Security Act, MCL 421.1 *et seq.*, by adding new sections to permit employers and the Unemployment Insurance Agency to enter into “work share” agreements.

SPONSOR: Senator Caswell

CO-SPONSORS: Senators Jones, Brandenburg, Colbeck, Nofs and Kahn

COMMITTEE: Senate Reforms, Restructuring and Reinventing
House Commerce

DATE INTRODUCED: April 25, 2012

DATE ENROLLED: June 14, 2012

DATE OF ANALYSIS: June 21, 2012

ADMINISTRATION POSITION: Support

PROBLEM/BACKGROUND

The bill responds the call in the Governor’s December 1, 2011 Special Message by codifying a voluntary ‘work share’ program in Michigan law. In challenging economic times, employers often need to reduce costs which often result in lay-offs having the following effects: (1) while reducing costs through lay-offs, the employer also loses tacit knowledge associated with the laid-off employees; and (2) the worker who now has no income would generally be eligible for full unemployment benefits. Work share programs under the bill provide an alternative scenario.

DESCRIPTION OF BILL

As presented, the bill takes effect on January 1, 2013 and includes a five (5) year sunset.

The bill provides certain employers (generally compliant and *not* upside-down for UI tax purposes) an alternative to lay-offs. The bill permits an employer to submit a “Work Share” Plan to the Agency for purposes of (1) reducing the workers’ hours; while (2) allowing those workers to receive a proportionate decrease in unemployment benefits. This policy provides employers with another mechanism to retain staff (as opposed to a full lay-off) while providing workers with a decreased unemployment benefit to help cover the difference between the workers’ usual full-time work schedule and the reduced work schedule under work share.

Procedurally, the bill includes the following steps: (1) Application/submission of plan by eligible employers (compliant and, for UI tax purposes, solvent); (2) consideration of the plan by the UIA to ensure that the plan satisfies statutory criteria; (3) approval/rejection of the plan by the UIA within 15 days after submission; (4) claims are to be filed by the employer; and (5) assuming the plan is approved, covered employees would be entitled to an unemployment benefit that is proportionately reduced in accord with the employer's reduction in hours.

In regard to financing, there may exist opportunities to receive federal funding for both the temporary administration of the work share plan and also for the payment of benefits. The availability of this temporary financing is subject to approval and/or agreement with the USDOL. Upon either (1) the refusal and/or rejection by the USDOL to provide temporary financing or (2) the expiration of temporary financing, benefits paid under work share will be charged to employer's account for UI tax purposes.

SUMMARY OF ARGUMENTS

Pro

Establishes an alternative to a full lay-off where an employer may reduce the hours worked by employees to retain a skilled and trained work force while providing the worker with a reduced unemployment benefit payment to help cover the difference.

Purely voluntary on the employer's part.

Expected to reduce the number of full lay-offs.

Con

A recent legislative hearing produced concerns that this bill represents a potential expansion of governmental services. As a result of that concern, a five-year sunset was written into the version passed endorsed by both Chambers.

FISCAL/ECONOMIC IMPACT

Are there revenue or budgetary implications in the bill to the –

The bill applies to reimbursing (public and non-profit) employers. Consequently, benefit charges resulting from the bill attributable to such reimbursing employers would be treated as any other unemployment benefit payment, i.e., the employer is "billed" the amount paid and the employers is to "reimburse" the agency for that amount. This statement applies to the Department, State, and Local Units of Government.

**(a) Department
Budgetary:**

Revenue:

Comments:

(b) State

Budgetary:

Revenue:

Comments:

(c) Local Government

Comments:

OTHER STATE DEPARTMENTS

No.

ANY OTHER PERTINENT INFORMATION

ADMINISTRATIVE RULES IMPACT

At this point, it is not clear whether the Agency would need to promulgate administrative rules to fulfill the purposes stated in the statute or whether “lesser” forms of administrative action would suffice, e.g., issuance of policies and/or guidelines. By way of example, section 28H provides that the participating employer will file claims on behalf of participating employees “in the manner prescribed by the Unemployment Agency.” In any event, the UIA will need to issue some form of administrative guidance for the execution of the bill, the only outstanding question is in what form.